



Jerry Gilbert, left, and his son, Todd Gilbert, worked together for nearly 20 years before they started planning for succession for the family-owned Valley Cartage trucking company. (Submitted photo: Valley Cartage)

## How To: The delicate business of succession planning

By: Nancy Crotti February 24, 2014 0

The Gilbert family has a lot invested in their trucking company, [Valley Cartage](#), in terms of money and history. Norman Gilbert started it as Gilbert Truck Line in 1935, hauling a team of horses from Hudson to Trempealeau, Wis., for \$1.50.

Norman Gilbert's son, Jerry, eventually took over the company, headquartered in Hudson for 50 years. Jerry never

pushed his son, Todd, to do the same.

“My dad, when driving me to college, said, ‘the business is here if you want it,’” said Todd Gilbert, who wanted no part of the company until he did an internship there.

But watching his father run the operation made him realize he wanted the same daily combination of freedom, risk-taking and accountability.

Passing control of a family business to the next generation takes planning and was the topic of a recent presentation that drew about 80 people to the Minneapolis law firm [Thompson Hall Santi Cerny & Dooley](#).

Paul Cronin of Hudson-based [Resultants for Business Inc.](#), who advised the Gilbert family, and Vicki Prock of the [Galliard Family Business Advisor Institute](#) in Alexandria outlined ways that families can profitably and harmoniously pass on their businesses to the next generation or sell it to outsiders.

When he joined the family company in 1993, Valley Cartage had four employees and five trucks, and Todd Gilbert had plans.

“God gave me a gift when it comes to being able to be a visionary,” he said. “I had a skill set that I felt that dad’s organization could capitalize on.”

That skill set included a knack for growing the business. Valley Cartage has acquired eight companies since 1993. It now has 240 employees, 100 trucks, and a multimillion-dollar supply-chain logistics operation with headquarters in Lake Elmo and six terminals in Minnesota and Wisconsin. It offers overnight service to points in Minnesota, North Dakota, South Dakota, Iowa, Nebraska, Wisconsin and Illinois.

Jerry and Todd Gilbert worked together for nearly 20 years before they started planning for succession. They assembled a team consisting of Cronin, an attorney, an accountant and an insurance agent to help them decide how to pass the company on.

Beginning in 2011, two generations of Gilberts met separately and together to hammer out family core values and a mission statement. The honest and sometimes difficult discussions got all the issues on the table, from ownership to compensation, according to Todd Gilbert.

Last year, they decided on a plan in which co-owners Jerry and his wife, Sue Gilbert, would gradually “gift” the business to Todd while allowing themselves enough money to retire comfortably. Jerry Gilbert, now 63, chairs the board. He and Sue spend winters in Arizona.

Todd Gilbert, 40, is president and CEO. He now co-owns the company with a trust set up to allow his children, 13, 11 and 8, to eventually choose their level of involvement. Todd’s younger brother, Eric, who returned to the business

11 and 6, to eventually choose their level of involvement. Todd's younger brother, Eric, who returned to the business after a decade away, directs the trucking operation from its main terminal in Hudson.

"My mom and dad sacrificed in multiple ways throughout my life to be able to pass this on, and my biggest goal was to have them enjoy life after work, reap the rewards," Todd Gilbert said. "They love life right now."

Prock, the Galliard adviser, described the phases of a business from startup (individual or family only) to "second-stage wobbles," in which family and friends standardize the business so that outside hires will understand its systems.

If the business survives to the growth cycle in the third stage, it's time to start thinking about the fourth stage — transition, according to Prock. Family-owned businesses often crash into this phase unprepared. Some owners may realize the only way to retire is to plunder the business and pass it on to children as a born-again startup, Prock said.

Galliard advisers recommend that families have frank discussions about succession to avoid plundering the business. One client told Prock that if transferring a family business were just about the money, it would be easy.

"It's about far more than just the money," Prock said. "That's what makes it hard."

Issues include:

- How to divvy up the business among multiple heirs.
- How much money the owner will draw out of the business while ensuring it will survive.
- Dealing with fears that the business will fail under new ownership, thereby letting down the community.
- Leaving an unprepared heir with a winning or losing business, either of which can create headaches, Prock said.

Owners have five options for transferring their business, according to Cronin, who worked with the Gilberts on their transition. They may:

- Sell to a strategic buyer, such as a competitor.
- Recapitalize the firm with private equity, leaving the family a minority owner.
- Sell to the management team.
- Sell to employees under an employee stock ownership plan.
- "Gift" the company to family members.

Each method will yield a different valuation for the company, according to Cronin. The market drives the first three options, while an Internal Revenue Service formula determines the valuation in the latter two.

Money isn't everything, however, according to Cronin. He believes the owner's mental and financial readiness to

money isn't everything, however, according to Cronin he believes the owner's mental and financial readiness to transfer the business trumps valuation.

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...nt," he added. "Spending the money on quality professionals is worth the

"My grandfather and my parents, myself and our employees, we are so fortunate for the thoughtfulness and the vision that we all have to continue this thing to generations four and five," he said. "It makes all those transitions easier."

### VALLEY CARTAGE

**Ownership:** Private

**Location:** Lake Elmo

**CEO/owner:** Todd Gilbert

**Business:** Full-service transportation logistics provider

**Website:** [valleycartage.com](http://valleycartage.com)

**Size of facility:** Corporate office, 26,000 square feet; Hudson facility, 60,000 square feet; six terminals varying from 7,000 to 10,000 square feet.

**Latest annual revenue:** \$36 million

**Employees:** 240

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